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STATE FOR WHA/BSC MDASCHBACH, MDRUCKER

E.O. 12958: DECL: 12/31/2033
TAGS: [PGOV](#) [ECON](#) [PHUM](#) [PA](#)
SUBJECT: FORMER ITAIPU DAM DIRECTOR INDICTED FOR CORRUPTION

Classified By: DCM Michael J. Fitzpatrick for reasons 1.4 (b) and (d).

¶1. (SBU) Paraguayan prosecutors indicted former Itaipu Binational Enterprise (EBI) director (and current Colorado Senator) Victor Bernal Garay December 11 on corruption charges related to the alleged misuse of Itaipu Dam funds. Judge Patricia Gonzalez, who oversees Bernal's case, indicated December 11 that she would ask that the Paraguayan Senate strip Bernal of his political immunity and clear the way for him to be prosecuted. (NOTE: Bernal enjoys political immunity as a senator. The Senate could not remove Bernal from office until he is convicted of a crime. END NOTE.) Once Gonzalez submits her formal request, the Senate would have to vote on whether to strip Bernal of his immunity. (Such a vote would not happen, in any event, until Congress reconvenes in March).

¶2. (SBU) Lead prosecutor Gustavo Gamba asserted December 11 that Bernal compromised his position as EBI director for failing to account for USD 76,000 in funds allocated to a public works project in Minga Guazu, Alto Parana Department, that was not completed. In addition to the Minga Guazu case, prosecutors are investigating Bernal for other possible improprieties, including siphoning Itaipu Dam funds set aside for the NGO Fundacion Tesai, diverting Itaipu Dam funds to ad agency Sistema Siete -- controlled by then-president Nicanor Duarte Frutos -- to finance this year's Colorado Party campaign, and personally enriching himself and his family. Bernal called Gamba's case "aberrant" and "extravagant," and claimed that he is being persecuted for political reasons.

¶3. (C) COMMENT: The indictment of Bernal -- one of the highest-profile public figures during the last Colorado government -- represents a high-profile test case for the Lugo administration in its fight against corruption. Former president Nicanor Duarte Frutos, who is also under investigation -- but has not yet been indicted -- could be next. However, unless some real progress is made on judicial reform, the current Supreme Court, still firmly under Colorado Party control, will likely send these cases to the proverbial Paraguayan judicial "freezer." Such a move itself, however, will only increase the social and political pressures for wholesale political reform -- starting with the membership of the Supreme Court itself. END COMMENT.

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